

## Message Text

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73

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00 EB-07

FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06 OES-06 L-03

SS-15 NSC-05 SP-02 PA-01 USIA-06 PRS-01 TRSE-00 /072 W

----- 028559

R 081716Z SEP 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7235

INFO AMCONSUL BELIZE

AMEMBASSY BOGOTA

AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY CURACAO

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY PORT AUR PRINCE

AMEMBASSY PORT OF SPAIN

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EWWT, XL

SUBJ: NAMUCAR

REF: MEXICO 194668#

SUMMARY: PRESS COVERAGE AND GOVERNMENTAL AND NAMUCAR  
MANAGEMENT PRONOUNCEMENTS RE THE EARLY SUCCESS OF NAMUCAR  
ARE TAKEN WITH A GRAIN OF SALT BY SEVERAL MARITIME SHIPPING  
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LINE OFFICIALS. DESPITE STATEMENTS TO THE CONTRARY, THEY

MAINTAIN NAMUCAR IS HEAVILY SUBSIDIZED, OPERATING ON AN UNECONOMIC BASIS AND CHARGING NON-COMPENSATORY RATES IN AN EFFORT TO DRIVE COMPETITORS FROM THE TRADE. THE FUTURE OF THE LINE AND CONTINUED GOM SUPPORT FOLLOWING CHANGE IN GOM ADMINISTRATION DECEMBER 1, 1976, MOREOVER, IS THE SUBJECT OF LOCAL SPECULATION. END SUMMARY.

1. EMBASSY TCO DISCUSSED NAMUCAR OPERATIONS WITH SEVERAL REPRESENTATIVES OF STEAMSHIP LINES WHO TO A MAN DISCOUNT REPORTS OF NAMUCAR'S INITIAL COMMERCIAL SUCCESS. THEY ASSERT THAT, WHILE NOT PUBLICLY ACKNOWLEDGED, NAMUCAR IS HEAVILY SUBSIDIZED AND WILL CONTINUE TO HAVE TO BE GIVEN CURRENT MODE OF OPERATION. THEY FURTHER STATE NAMUCAR IS UNDERCUTTING RATES SUBSTANTIALLY TO ATTRACT TONNAGE AND FORCE COMPETITORS FROM THE TRADE. EXAMPLES GIVEN OF RATE CUTTING WERE 25 DOLLARS PER TON QUOTES BELOW PREVAILING BULK RATES AND 5 DOLLARS OFF THE 25 DOLLAR PER TON FIO GENERAL CARGO RATE OFFERED BY NAVIMEX FROM MEXICAN GULF PORTS TO CARRIBEAN POINTS. THESE RATES ARE SAID TO BE NON-COMPENSATORY AND TO COME NO WHERE NEAR COVERING OPERATING COSTS (COMMENT: GIVEN SUCH RATES, NAMUCAR'S PROFESSED AIM OF COMPLEMENTING RATHER THAN DISPLACING EXISTING SHIPPING LINES DOES NOT RING TRUE).

2. GOM HAS NOT PASSED ANY LEGISLATION FAVORING NAMUCAR PER SE. HOWEVER, ITS MEXICAN FLAT COMPETION, NAVIMEX, HAS BEEN CIRCUMSCRIBED BY MEXICAN LEGISLATION WHICH PERMITS ONLY COMPANIES WHOLLY-OWNED BY MEXICAN CITIZENS TO REGISTER NEW TONNAGE UNDER THE MEXICAN FLAG. THUS, NAVIMEX, IN WHICH U.S. AND JAPANESE INTERESTS HAVE A MINORITY SHARE, IS PRECLUDED FROM ADDING TO ITS FOUR VESSEL MEXICAN FLAG FLEET. THE FOREGOING PLUS REPORTED RATE-CUTTING AND "PERSUASIVE" EFFORTS OF TMM (THE MEXICAN GOVERNMENT LINE ACTS AS NAMUCAR'S MEXICAN AGENT AND IS ALSO A NAVIMEX COMPETITOR) WITH GOM AND GOVERNMENT-OWNED INDUSTRIES TO FIX CARGO ON NAMUCAR VESSELS HAVE ADVERSELY AFFECTED NAVIMEX'S COMPETITIVE POSITION IN THE CARIBBEAN.

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3. TWO STEAMSHIP LINE OFFICIALS ALSO QUESTION NAMUCAR'S FUTURE. NOTING THAT THE ECHEVERRIA GOVERNMENT WAS THE PRIME MOVER IN THE CONCEIVING AND BRINGING NAMUCAR TO REALITY, THEY PREDICE THAT WITH THE ADVENT OF THE LOPEZ PORTILLO ADMINISTRATION, DECEMBER 1, 1976 GOM SUPPORT FOR THE LINE WILL WANE. THEY STATE THAT NAMUCAR IS THE POLITICAL ECONOMIC BRANCHCHILD OF A SINGLE ECHEVERRIA SUBORDINATE, BUT THERE IS LITTLE OR NO SUPPORT OR

ENTHUSIASM FOR NAMUCAR OUTSIDE A VERY SMALL GROUP OF TOP LEVEL GOM OFFICIALS. ONCE THE JLP GROUP TAKES A HARD LOOK AT THE ECONOMICS OF NAMUCAR, THEY MAINTAIN, THE NEW ADMINISTRATION WILL LOOK FOR THE DOOR.

4. THIS MAY BE WISHFUL THINKING, HOWEVER, MEXICAN EXPORTS TO THE CARIBBEAN ARE REPORTEDLY HAVE BENEFITTED GREATLY AS A RESULT OF NAMUCAR. ONE PRIVATE STEAMSHIP LINE REPRESENTATIVE CHARACTERIZED NAMUCAR'S CREATION AS A COUP FOR THE GOM SINCE IT HAS LEAD TO A ONE WAY STREET FAVORING MEXICO'S EXPORTS. HE MAINTAINS THAT THE TRANSPORTATION COSTS OF MEXICAN EXPORTS ARE IN FACT BEING SUBSIDIZED FOR THE MOST PART BY THE OTHER NAMUCAR MEMBER GOVERNMENTS WHOSE TOTAL FINANCIAL INPUT IS MUCH GREATER THAN MEXICO'S, BUT WHOSE EXPORTS WITHIN THE CARIBBEAN AREA HAVE NOT INCREASED TO THE DEGREE MEXICO'S HAVE. AS A RESULT, IT WOULD NOT BE INCONCEIVEABLE FOR THE NEW ADMINISTRATION TO FIND THAT THE BENEFITS, IN INCREASE EXPORTS, OUTWEIGHT THE COSTS TO THE GOM.  
THOMPSON

NOTE BY OC/T: # AS RECEIVED.

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